504.1 KARAJ DAM 1955.

TELEGRAM

Foreign Service of the
United States of America

INCOMING

TEHRAN

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Control 683
Recd : June 30, 1956
11:00 AM

ACTION:
ICA-6

INFO:
AMB
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ADMIN
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FROM: DEPARTMENT

NO: ICATO 1592, June 29, 8 PM

KARAJ DAM

1. Bureau of Reclamation/W informs that Harza Engineering Co., Inc. Chicago, Ill. has advised Bureau's Denver office that Dr. Asfia of Iran and Mr. Bruce Johnson of Harza firm are coming to Denver to review with Bureau technical staff their report on Karaj Dam under cable permit from Mr. Taleghani of Iran to examine data in possession of Bureau.

2. Bureau requests advice as to whether or not ICA will furnish funds to defray costs expected to be incurred resulting from time technical staff spend in above review, and in addition whether or not re-consideration can be given to alloting Bureau $500 to break concrete cylinders and complete report on tests. Advise soonest.

HOLLISTER

ms/155
30-11:37am

ACTION COPY

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7/2
Benning

Sec 4.1 Karaj Dam

NOTED
C. S. G.

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KARAJ DAM AUTHORITY

HOGHOOGHI AVE., TEHERAN, IRAN.
TELEGRAMS : SADKARAJ
TEL. 33792

سازمان سد کرج
تهران ـ خیابان حقوقی
عنوان تلگرافی :سد کرج
تلفن : ۳۳۷۹۲

تاریخ .....
شماره .....
پیوست .....

June 25, 1956.

CHIEF ENGINEER BUREAU OF RECLAMATION DENVER COLORADO

PLEASE LET HARZA ENGINEERING COMPANY INTERNATIONAL REPRESENTATIVE BE ALLOWED TO REVIEW DATA ON KARADJ PROJECT STOP

KHALIL TALEGHANI
MANAGING DIRECTOR KDA

۴۱۹
۳۵/۴/۴

Copy:O M I

Any action to expedite the matter will be greatly appreciated.

Khalil Taleghani

Khalil Taleghani
Managing Director KDA

TELEGRAM

INCOMING

Foreign Service of the United States of America

AMERICAN EMBASSY TEHRAN

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ACTION:
ICA-3

Control:
Recd: 580
29 Oct 55
11:15AM

INFO:
AMB
MIN
ADMIN
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FILES-2
USOM FILES
POL

FROM: DEPARTMENT

NO: ICATO 513 28 Oct 10PM

SENT TEHRAN ICATO 513

TOICA 506

1. ICATO 404 sent after understanding EX-IM Bank insisting include engineering with construction contract within their financing. Therefore, no technical justification ICA participation. In practice, highly desirable engineering and construction costs be financed by single agency, in this case EX-IM Bank, a US Government agency, giving unquestionable evidence US support.

2. Believe concern over reaction Iranian public dissipated by explaining that utilization EX-IM funds for construction and engineering provides opportunity for reprogramming ICA funds for activities which otherwise could not be undertaken. If thus explained, position could introduce favorable impression on Iranian officials and public.

3. Political implications reported thus far do not seem to warrant deviation. Invite Embassy/USOM comments pointing up political implications more clearly.

FITZGERALD

jcs/182
29-5:30PM

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FORM 412P
3-1-55

Foreign Service of the
United States of America

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CHARGE: USOM/Iran

Control: 318 10-19-58 (?)

TO: SECSTATE

DATE: Rec'd noon

NO: TOICA 506

Amb
Alcorbook
admin
USOM
ex
~~Polos~~
Econ

For Fitzgerald and Seager.

ICATO 404. In August conferences with ICA/W, my understanding agreement reached that costs preliminary engineering services could be financed from Project 73 and that waiver permitting negotiated contract with Harza Engineering Company would be shortly forthcoming. Reftel states financing by USOM not necessary and referenced Embassy Despatch 147, September 16. I have read the despatch quoted and fail to find any basis for this conclusion.

In letter received this date from Taleghani, he states Council of Ministers has authorized Karaj Dam Authority to use up to the sum of $24 million and further states "using Exim Bank credit for engineering will create an extremely bad impression on the public in Iran if it were made known that funds previously allocated for Karaj Dam are being altogether diverted from use in connection with that project. To the man in the street that is a sure indication that our American friends either do not want that dam built or find faults with it."

Project 73 was executed in Nov., 1953, and unsubobligated dollar balances are slightly above $700,000. These funds cannot be de-obligated without the consent of GOI and it is apparent such consent cannot be obtained at this time.

Request reconsideration at highest levels desirability Exim Bank finance all dollar aspects of projects including determination, scope and design

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564.1 - Karaj Dam

De

as contained reftel. Request reversal position contained reftel and further request waiver on negotiations with Harza Engineering be transmitted soonest.

CSG

GREGORY

CSGregory:els
Oct. 19, 1955

TELEGRAM

Foreign Service of the United States of America

INCOMING

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ACTION:
TCA-3

INFO:
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FILES-2
USOM FILES

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Control: 570
Recd: 30 Sept 55/10:55AM

FROM: DEPARTMENT

DATE: 29 Sept 55/6:00PM

NO: ICATO 404

SENT TEHRAN ICATO 404 FROM DEPARTMENT

KARAJ DAM.

GOI apparently preparing early submission loan application for entire project including design, thus obviating necessity USOM financing any portion engineering contract (Reference Embassy Despatch 147, September 16). ICA/W believes it strongly desirable EXIM Bank finance all dollar aspects of project including determination scope and design.

HOLLISTER

hdb/100
30-11:45am

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USOM/Iran

TO: SECSTATE

16/20/55

FOR DIRECTOR 506

For Fitzgerald and Saeger.

IGAFD 404. In August conference with ICA/W, my understanding agreement reached that costs preliminary engineering services could be financed from Project 73 and that waiver permitting negotiated contract with Harza Engineering Company would be shortly forthcoming. Lateral states financing by USOM not necessary and referenced Embassy Despatch 147, September 15. I have read the despatch quoted and fail to find any basis for this conclusion.

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GREGORY

CSGregory:als
Oct. 19, 1955

KARAJ DAM AUTHORITY

HOGHOOGHI AVE., TEHERAN, IRAN
TELEGRAMS : SADKARAJ
TEL. 33792

Confidential

Urgent

Dear Mr. Gregory,

Attached please find a copy of the Decree of the Council of Ministers of October I2th, I955, authorizing this Authority to the use of up to $24,000,000 of the £I0,000,000 and $53,000,000 loans approved by both Houses of Parlement and Senate, for the completion of the preleminary works of the Karaj Dam and its speedy construction.

To expedite matters and to decide as quickly as possible on the engineering, I would like you to do the utmost to release all available funds in various project agreements related to Karaj for help in engaging a consulting engineering firm. I am sure you realize that the decision on the choice of engineers to review the designs and to prepare the final one to be submitted to the Exim Bank is the preliminary and a fundamental step towards securing the loan. Of the five consulting engineering firms that were discussed here with the Bank officials, Harza Co. of Chicago, doing engineering work in Turkey and Iraq, seems to be the most likely to be considered. As I explaind to you earlier, I have no objection in using Exim Bank credit for engineering, but it would create an extremely bad impression on the public in Iran if it were made known that funds previously

سازمان سد کرج

تهران ـ خیابان حقوقی
عنوان تلگرافی : سد کرج
تلفن : ۳۳۷۹۲

تاریخ ۳۴/۷/۲۵
شماره م/۷۷۸
پیوست ۱ برگ

محرمانه ـ فوری

آقای گرگوری مدیرکل هیئت عملیات اقتصادی

بضمیمه رونوشت تصویب نامه مورخ ۱۹/ ۷/ ۳٤ هیئت وزیران ارسال می گردد . به موجب این تصویب نامه سازمان سدکرج مجاز است تامبلغ ۲٤ میلیون دلار از وام های ده میلیون لیره و ۵۳ میلیون دلار که به تصویب مجلسین شوری وسنا رسیده است برای تکمیل مقدمات ساختمان سد کرج وانجام سریع آن استفاده نماید .

برای تسریع امر واخذ تصمیم حتی الامکان سریع درموضوع مهندسی ، تمنی دارم منتهای کوشش خود را بکار برید که تمام وجوهی که درموافقت نامه های مختلف مربوط به سدکرج منظور شده است برای استخدام یك موءسسه مهندسی مشاور تخصیص داده شود . البته توجه دارند که اخذ تصمیم در انتخاب مهندسینی که بایستی طرح ها ونقشه ها را مطالعه نموده طرح نهائی راکه باید به بانك صادرات وواردات تسلیم شود تهیه نمایند قدم مقدماتی مهم واساسی درراه اخذ وام میباشد . احتمالی قوی می رود که ازپنج موءسسه مهندسین مشاور که باماءمورین بانك درباب آنها مذاکره شد ، موءسسه هارزا (شیکاکو) که درترکیه وعراق مشغول کارهای مهندسی است برای این منظور انتخاب شود . چنانکه قبلا باشما مذاکره کردم من شخصا مخالفتی ندارم که مخارج کارهای مهندسی ازمحل اعتباراتی که ازبانك صادرات وواردات گرفته خواهد شد

KARAJ DAM AUTHORITY

HOGHOOGHI AVE., TEHERAN, IRAN
TELEGRAMS : SADKARAJ
TEL. 33792

سازمان سد کرج

تهران ـ خیابان حقوقی
عنوان تلگرافی : سد کرج
تلفن : ۳۳۷۹۲

تاریخ .....
شماره .....
پیوست .....

allocated for Karaj Dam are being altogether diverted from use in connection with that project. To the man in the street that is a sure indication that our American friends either do not want that dam built or find faults with it. To choose the consulting engineers, which is urgent, and to maintain public hope and interest in the project and to expedite the whole works, quick and positive reply is requested. I will therefore, appreciate your prompt action on this matter.

Sincerely yours,

Khalil Taleghani

Khalil Taleghani
Managing Director of
Karaj Dam Authority.

تامین شود ولی اگرمعلوم شود که وجوهی که قبلا به سد کرج تخصیص داده شده ازمحل اصلی خود منحرف شده درکارهای دیگری غیرازاین پروژه مصرف می شود تاءثیربسیاربدی درافکارمردم ایران خواهد نمود ومردم عادی این مطلب راحمل براین خواهند کرد که دوستان امریکائی ما یانمی خواهند سد ساخته شود یامعایبی درآن می بینند . برای انتخاب مهندسین مشاورکه جنبه فوریت دارد وبرای جلب امید وتوجه مردم به پروژه وبالاخره برای تسریع تمام کارتقاضای جواب سریع ومثبت دارد . بنابراین خیلی ممنون خواهم شد هرگاه اقدام سریع دراین امربفرمائید .

مدیرعامل سازمان سد کرج

مهندس خلیل طالقانی

Mr. Clark S. Gregory,
Director of U. S.
Operations Mission to Iran.

KARAJ DAM AUTHORITY

HOGHOOGHI AVE., TEHERAN, IRAN

TELEGRAMS : SADKARAJ

TEL. 33792

سازمان سد کرج

تهران ـ خیابان حقوقی

عنوان تلگرافی : سد کرج

تلفن : ۳۳۷۹۲

تاریخ .....

شماره .....

پیوست .....

The Council of Ministers at the Meeting of I9 Mehr I334, (October I2th, I955) authorized Karak Dam Authority to use up to the sum of $24,000,000 from the £I0,000,000 and $35,000,000 loans approved by both Houses, for the completion of the preleminary works of the Dam and for its speedy construction, provided that the said Authority makes proper arrangements with the Ministry of Finance for the repayment of the used loan and its interest.

TELEGRAM

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Control: 570
Recd: 30 Sept 55/10:55AM

FROM: DEPARTMENT

DATE: 29 Sept 55/6:00PM

NO: ICATO 404

SENT TEHRAN ICATO 404 FROM DEPARTMENT

KARAJ DAM.

GOI apparently preparing early submission loan application for entire project including design, thus obviating necessity USOM financing any portion engineering contract (Reference Embassy Despatch 147, September 16). ICA/W believes it strongly desirable EXIM Bank finance all dollar aspects of project including determination scope and design.

HOLLISTER

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30-11:45am

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Control: 0422
Recd: 22 JULY 55/9:30am

FROM: DEPARTMENT

DATE: 21 JULY 55/7pm

NO; 140

SENT TEHRAN 140 FROM DEPARTMENT

Inform Taleghani Exim Bank suggest delaying submission Karaj application until Harza presents report to GOI and fuller technical and cost data thus becomes available to GOI.

HOOVER

Joint Karaj

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tjc/37

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C. S. G.

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Foreign Service of the United States of America

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Control: 04
Recd: 2 JULY 55/8AM

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JUL 4 1955
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IRAN

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PRIORITY

DATE: 1 JULY 55/1PM

FROM: DEPARTMENT

NO: 1

SENT TEHRAN PRIT 1 FROM DEPT

FOA separately authorizing OMI sign contract with Harza (your 2516 and 2475).

As result interDepartmental discussions with EXIM board:

(A) Board has no objections Harza contract and appropriate use findings in plan application.

(B) Bank and Department believe survey would help GOI see problem more clearly if survey includes (1) realistic appraisal total cost Dam project; (2) meaningful consideration Karaj Dam project in relation to other methods achieving same or similar benefits in respect electric power water supply and irrigations.

Realize that survey expended include above probably more costly than estimate your 2475. Believe it important Embassy/OMI convince GOI that expended survey in our interests while making clear that this not a condition for further consideration of Karaj project EXIM Bank.

FYI Bank and Department at high levels in agreement political situation requires us to fulfill our commitments to finance Dam. However inter-

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PRITY 1 FROM DEPT

Departmental discussions emphasized vulnerability United States to continued criticism if Karaj does in fact prove excessively costly as compared present estimates or costs alternatives disclosed B2. above.

Also concerned that controversy between Ebtehaj and Taleghani might be source of continuing problem on availability of local currency requirements of Dam project. Accordingly EXIM Bank would want assurances with application that local currency for Dam project would be made available as needed.

DULLES

vk/331

TELEGRAM

INCOMING

Foreign Service of the United States of America

CENTRAL FILES

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USOM/I

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Control:
Recd: 29 JUNE 55/10:30AM

DATE: 28 JUNE 55/4PM

NO: 2456

FROM: DEPARTMENT

SENT TEHERAN 2456 FROM DEPT

Interested agencies urgently considering problems raised EMBTEL 2475 and will advise shortly.

DULLES

blp/26

Sec 1 Karaghosian

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* U.S. Government Printing Office: 1953-242207

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DC: WER
MHB
USOM/I

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23 JUNE 1955 3:50PM

TO: SECSTATE

NO: 2475

Joint Embassy, USOM/I Message.

1. In press conference June 12 and in subsequent statements (Embtels 2425 and 2463), Ebtehaj placed Karaj Dam Project in forefront Iranian political controversy. His attacks on policies and procedures envisaged by his colleagues for construction Karaj Dam have convinced many of logic his position and it especially difficult for his opponents in public press to explain technical and other considerations which influenced their decisions and actions at time they made. Strong efforts now being made by Ala to settle controversy, and it may be that further embarrassing episodes will be avoided. However, there no guarantee that Ebtehaj will not go to great lengths in his efforts discredit certain Iranian officials, at same time showing no reluctance discredit Exim Bank, with result that US prestige in Iran will be adversely affected.

2. Ebtehaj has carefully prepared his position and is timing his attack so as prevent Karaj Dam Authority (KDA), headed by Taleghani (who with Amini conducted negotiations with Exim Bank Mission while Ebtehaj in Washington), from submitting loan application for Exim Bank financing of studies re economic and technical feasibility of dam. Ebtehaj views, while not yet coherently expressed, appear be along following lines:

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To F/ Karaj Dam

(a) Two preliminary designs for dam are available, one French and one American. Nothing has been done obtain world famous consulting engineers to determine respective merits competing designs, although cost construction for American design $10 million more than French. Nevertheless, Iran Govt acting through NIA selected American design and, yielding to American influence, entered into interim contract with American construction firm, MKI.

(b) Wahlen Bank had serious reservations about American design, as indicated by its recommendation that further studies be made. He shared these doubts.

(c) He had decided that regardless economic justification, matter had proceeded to point where cancelation project would be politically infeasible. Karaj Dam would therefore be built and he would do so with advice and assistance of non-American and non-French consulting firm. Construction would be done on basis international competitive bidding.

(d) On grounds sloppy and ineffective performance NIA (established on basis American advice) as well as fact that financing must be arranged by Plan Org, it imperative that responsibility for Karaj Dam be turned over Plan Org. (This, of course, in line Ebtehaj's view that all projects and activities financed by Plan Org funds, i.e. oil revenues, must be under his control and direction.)

(e) Once decision made on design and other matters, he would not repeat not delay execution project to await review his decision by "foreign concern" before latter agreed help finance project. Neither would he commit himself in advance to procure materials and services for entire project from lending country irrespective of price, quality and delivery terms offered. He in position buy goods in almost any country he should select, and financing would take care of itself because plenty European credits available. Moreover, he would not allow contractual arrangements or commitments made by Iran Govt to foreign govts or firms to delay execution of Karaj project.

3. Unfortunate aspect of present controversy is that US and particularly Exim Bank are unwittingly part of it, although we have of course endeavored carefully to avoid participation in dispute. On one hand, Taleghani and his supporters are attempting justify past actions and decisions, and justify plans proceed with application to Exim Bank for financing of Karaj Dam. On other hand, Ebtehaj has recklessly endeavored discredit Taleghani and KDA, and in process has appeared question motives Exim Bank. His exploitation of situation has included cynical questioning why Exim Bank would not be guided by U.S. Bureau of Reclamation report in deciding whether or not project economically feasible. He has questioned integrity of Taleghani in claiming some

months ago that Bank favorably disposed toward Exim Bank loan (Taleghani having stated on basis discussions with Exim Bank in Wash that $18 million set aside for Karaj Dam, leaving additional $35 million for other projects to be financed by Exim Bank).

4. In circumstances, there appears strong possibility that one of two contingencies will materialize: either (a) dispute will be settled in favor Ebtehaj position, in which case presumably Exim Bank financing would not be requested and contract probably would not go to American firm, or (b) Ebtehaj will be overruled and Taleghani will be given green light to go ahead as previously planned, seeking Exim Bank financing for project. While latter solution would certainly be intended by Iran Govt to please U.S., we are increasingly fearful that any such decision would put us in extremely embarrassing position if by any chance Exim Bank should not repeat not in fact be prepared finance dam project on basis either American or French design. Refusal of loan application would almost certainly bring political ruin to Taleghani after his role in matter, and would have serious undermining effect upon other Iran officials favorably disposed toward U.S.

5. U.S. Govt is thus caught in position where it difficult either move forward or withdraw from participation Karaj Dam Project. Since both Govt Iran and Ebtehaj are agreed that Karaj Dam will be built, there no longer possibility considering whether there might be more feasible

alternatives to Karaj Dam; remaining questions relate only to execution, such as responsible agency, design and financing. Confronted with narrowing range of choice re courses of action, we believe it important that prompt decisions be reached. If Ebtehaj succeeds, it would seem relatively easy for Exim Bank to withdraw gracefully from project should it wish to do so in view of Ebtehaj's position. If Taleghani succeeds, we believe in light political as well as economic factors that we should be in position to support him on basis of selecting appropriate design quickly and offering Exim Bank loan assistance as promptly as possible after loan application made.

6. In order be in position act effectively in event Govt Iran should resolve controversy in favor Taleghani (i.e. Exim Bank financing), Gregory proposes that he contract immediately with Harza Engineering for completion within 40 days economic and technical feasibility study based on technical data already available but unassembled and unevaluated. This firm included on informal Exim Bank list left with Taleghani by Kimball of recommended consulting engineering firms. Company Pres Davis, who recently in Tehran, has already initiated study without contract and is prepared complete report at cost not to exceed $9,900 which could be paid by GOI from available technical assistance funds. Feasibility proceeding with finalization this arrangement depends largely on attitude Exim Bank, i.e. whether Bank prepared accept such report by Harza in

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support exported application for loan. If Exim Bank in general favorable this proposal, which might contribute to resolution controversy, request advice soonest in order we might make arrangements, which must include working out with Iran Govt official request for these services. FFI Falaghani initiated proposal for this type of contract and would be willing seek consent Council Ministers.

7. Would be most helpful if we could receive soonest views Dept and other interested agencies, particularly Exim Bank, re questions raised herein.

BOWIE

WMcintyre:WMIrwin:pai jk

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Mr. Gregory

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14 JUNE 1955 / 7:35PM

TO: SECSTATE

NO: 2425

Director Plan Org Ebtehaj at scheduled press conference afternoon June 12 reported his achievements in administering Iran's development program. In reply series questions raised by correspondents, particularly Dulat of Reuters who reported to Emb his version conference, Ebtehaj commented it had been reported to him that representatives Exim Bank had recently been in Iran and had stated that further studies would be required before decision re Exim Bank financing Karaj Dam was made. He repeated that he had learned of these developments indirectly and to put end to this unsatisfactory situation he would propose to competent Iranian authorities that Karaj Dam Project be turned over to Plan Org so that Iran would not have to sit idle until foreign company came in and determined what Iran had to do. According AP despatch and Dulat's report to Emb, Ebtehaj stated Exim Bank had arranged that Morrison-Knudsen build Karaj Dam in accordance American engineering design at cost which was one billion rials in excess French firm's estimate. He stated he had protested quote Exim Bank's interference Iran's internal affairs unquote, especially since Bank required more studies before it would lend $18 million to finance construction Karaj Dam. He proposed have internationally known engineering firm of third nationality to advise him re American and French plans and thereafter he would have Karaj Dam constructed.

2. Ebtehaj, in reply questions about Exim Bank loans stated he did

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534.1 Karaj Dam

not need to borrow foreign funds and that it was "foolish to run after such loans". He hoped accomplish Seven-Year Plan with own funds and if small foreign loans needed in early years of development program, it would not be bad idea to borrow from that source which offered Iran best terms.

3. During course his scheduled conference with Gregory morning of June 13, Ebtehaj restated his views on Karaj Dam and Exim Bank loans. He said he had been informed by competent technicians the French design for Karaj Dam was correct and that "American" design was unnecessarily costly; that French would cost 1.8 billion rials while "American" would cost 2.8 billion rials; and that he would not spend one nickel until he had made full investigation. Gregory explained there was no "American" design as such; Bureau of Reclamation had proposed preliminary design for certain functional purposes. Ebtehaj displayed cable requesting IBRD to furnish him with names of competent engineers who would study and advise him on merits of two designs. He stated that consulting engineers should not be of French or American nationality since he wanted unbiased judgment. Gregory explained that under Project Agreement No. 73, which committed funds for engineering studies, he believed that these funds could be used for this purpose, provided American firm was employed. Ebtehaj did not commit himself on this point. Ebtehaj also stated he was not committed to using any Exim Bank funds since he was determined not to borrow funds unless they entirely necessary and justified. He indicated he wanted Exim Bank position on financing Karaj Dam so that after he had

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decided on design he could consider question financing. When Gregory explained Exim Bank procedures, Ebtehaj displayed great irritation over Exim Bank exercising right to review and possibly to reject loan application after project approved by Plan Org.

4. Ebtehaj telephoned Bray noon June 13 requesting Emb ~~ascertain~~ advise him before June 17 /official position Exim Bank re financing Karaj Dam. He said he was being criticized unfairly for stopping work on Karaj Dam and, since issue was raised, he was determined to deny funds to Karaj Dam Authority until he had obtained full authority over it. He could not reconcile what he had heard was Exim Bank's present position on Karaj Dam with Taleghani's reports last October to Govt Iran. He wanted to ascertain whether or not Taleghani, Minister Agriculture and Director KDA, had made "fraudulent" reports to Govt and to press that Exim Bank was prepared finance Karaj Dam. He said he not prepared at this time to borrow from Exim Bank to finance construction Karaj Dam; that Dam would be built, perhaps with Plan Org funds. (Ebtehaj apparently saw no conflict between his expressed views re "American interference" and his request for American assistance in furnishing him with information which he obviously wanted to use to discredit cabinet minister in Govt Iran. Since info requested by Ebtehaj is available to reps of Govt Iran duly authorized to negotiate with Exim Bank, we have no intention of furnishing such info to him.)

5. Taleghani informed Emb today that on evening June 13 he raised at meeting Council Ministers chaired by Shah /question Ebtehaj's statement to press re Exim Bank loans.

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He said for first time Shah seemed comprehend that Ebtehaj could block ExIm Bank financing selected projects by denying local currency funds. Shah urged Cab discuss matter with Ebtehaj and persuade him to be reasonable. Taleghani said real issues were not feasibility construction Karaj Dam or status Karaj Dam Authority, but whether or not Ebtehaj could repudiate Govt Iran's negotiations with ExIm Bank in public press conference without prior consultation with Council Ministers. He said question of Govt's authority was at stake as well as conduct of Iran's relations with friendly foreign Govt. He said latter issue was important because FonMin Entezam had been instructed by Council Ministers to raise question Wash re possibility obtaining more budgetary support aid than amount presently contemplated by US Govt. He intended raise these issues with Shah at meeting arranged morning June 15 and at Council Ministers scheduled afternoon same day. He said he prepared resign if Shah decided in favor Ebtehaj.

6. Ebtehaj's press statements were probably motivated primarily by his determination subordinate Karaj Dam Authority as well as all other Govt Iran agencies requiring Plan Org funds to his complete direction and control. In response probing questions by correspondents, Ebtehaj was reported to have become more agitated and annoyed than usual. He probably spoke more frankly and fully than he intended; certainly he disclosed virtual animosity toward ExIm Bank loans and left no doubt that his absence from Tehran during ExIm Bank Mission visit here was premeditated.

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Falaghani, however, appears to have formulated issues in manner which might force Shah and Council Ministers to examine their implications in light of Iran's needs and its relations with US.

7. I have appointment with PrMin Ala morning June 15 at which time I will discuss most unfriendly and misleading statements made by Ebtehaj in press conference and will seek clarification Iran Govt attitude.

ROUNTREE

WHOrey:GWRoundtree:lm jk

TELEGRAM

INCOMING

Foreign Service of the United States of America

ACTION:
TCA-4

INFO:
NP
ECON/S
COMP
FILES

OFFICIAL USE ONLY
Classification

Control:
Recd: 24 MAY 1955 11 AM

DATE: 23 MAY 1955 . 8 PM

NO: USFOTO 1750

OFFICIAL USE ONLY

FROM: DEPARTMENT

SENT TEHRAN USFOTO 1750 FROM DEPARTMENT

SUBJECT: AERIAL SURVEY

REF. USFOTO 1625

FOA/W considers aerial survey at this time premature unless aerial survey or comparable land survey specifically requested by Export-Import Bank to facilitate decision on financing Karaj Dam in which case FOA/W would give favorable consideration.

STASSEN

50k / Karaj

bl p/73

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* U.S. Government Printing Office: 1953-242207

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Form FS-412
(Nov. 1953)

TELEGRAM RECEIVED

CENTRAL FILE

16-37113-5 GPO O-998866

From : DEPARTMENT

Date : 7 March 1955, 5 p.m.

No. : USFOTO 1298

Classification : CONFIDENTIAL

Received : 9 March 1955, 10 a.m.

SENT TEHRAN USFOTO 1298 FROM DEPT

Reference: TOUSFO 1082.

Using own nivplanfofd* funds from Karaj Dam Project USOM authorized exchange up to $105,000 for rials for use on Karaj Dam road under terms stated USFOTO 1224 April 1954.

FITZGERALD

*Garbled portion being serviced.

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DR

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MAR 1955
TECHNICAL COOPERATION

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Form OMI 101a
Dec. 1953

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FEB 9 1955

TOUSFO 1237

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~~Karadj Dam highway relocation.~~

TOUSFO 1082

~~Please refer reftel and~~ Expedite reply. Essential have prompt decision on extending ~~subject~~ Karaj Dam highway construction.

WARNE

RHWorkinger:alp
February 8, 1955

CONFIDENTIAL - PRIORITY

Karaj dam

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(Nov. 1953)

TELEGRAM RECEIVED

16-37113-5 GPO O-998866

From : DEPARTMENT

Date : 21 January 1955

No. : USFOTO 1021

Classification : OFFICIAL USE ONLY

Received 22 January 1955, 1 p.m.

SENT TEHRAN USFOTO 1021 FROM DEPARTMENT

Joint BUREC-FOA message.

Reference TOUSFO 992, 1075.

Subject: BUREC agreement for Karadj.

1. PPA 65-22-073 reviewed and appears to be submission of proposal for construction of Karadj Dam. Training by BUREC of Karadj Dam Authority indicated as first step only in construction of project. Cannot approve this PPA since FOA participation construction of Karadj Dam project not now contemplated.

2. As previously discussed FOA willing to consider training of Karadj Dam Authority by BUREC independent of engineering and construction of project to assist KDA in meeting project owners responsibility. FOA proceeding redraft PPA along these lines with assistance Bierce who will handcarry draft of revised PPA to Tehran.

3. Prefer defer consideration training project until return of EXIM team from Iran. Revised PPA will be considered at that time.

4. Recruitment C.B. Foster construction auditors stopped on Bierce/parle request of November 8, 1954.

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504.1 Karaj Dam

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TOUSFO 1115

SECRET

USFOTO 994. GOI agreeable arrival of EXIM Bank team February 7. Dr. Ali Amini, Minister Finance, and Abolhassan Ebtehaj of Plan Organization who will be principal contacts here have asked me to announce prospective tentative arrival date, which will do soonest.

Authorization bill has languished in Majlis. Announcement of approach of team will be signal for great efforts to be launched by Amini to have bill completed. He confident can be done in time remaining, believing actually can be completed in three days after place on calendar assured.

At your earliest convenience please cable ~~manner~~ names and brief biographies of team members. Also would appreciate any instructions as to how USOM/Iran can best serve in preparations and during negotiations and how responsibilities are to be divided. Separate cable follows with specific recommendation regarding $32 million loan agreement.

5 of 9. 1 Iran Loan

WARNE

WEWarne:eah
Jan. 19, 1955

seen by Rountree 1/19/55

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DEPARTMENT 14 JANUARY 1955, 8 PM

PRIORITY USFOTO 994

SECRET 16 JANUARY 1955, 9 AM

PRIORITY SENT AMEMBASSY TEHRAN USFOTO 994

Ref: TOUSFO 953 and 1013.

Joint State, FOA, EXIM Message.

EXIM Bank proposes send mission Tehran consisting first vice President who is also vice Chairman Board Directors and four staff members for prediminary discussion entire loan program. Mission plans arrive Tehran Feb 7 remain probably until Feb 17. Please ascertain if this agreeable GOI.

Since Karaj project important element these discussions premature take any action in matter of dam design in interim. Preferable Taleghani remain Tehran await partys arrival.

If Karaj should be approved by bank agreed here desirable have one agency finance complete costs both design and construction rather than FOA and EXIM both participate. EXIM skneaajtn prefers approve borrowing govts selection of private engineering firm that would make design and supervise construction of projects like Karaj although bank by no means wishes exclude possibility Bureau Reclamation performing these functions. Bierce returning Tehran.

FITZGERALD

Note: Underlined portion as received; will service upon request.

tjc/203

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584.14 Karaj

rm OMI 101a
c. 1953

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JAN 13 1955

TOUSFO 1082

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Karadj Dam Project.

Karadj-Chalus highway construction below Karadj dam site now substantially complete. Karadj Dam Authority now proposing contract extension with MKI for sufficient additional highway construction from dam site upstream to enable traffic diversion this summer when assume Ex-Im loan will be available and dam construction initiated. Mission considers continuing highway construction, maintaining optimum project progress and avoiding costly work interruptions of utmost importance, as cited USFOTO 1224, April 21, 1954.

Dollar costs of additional highway work contemplated estimated as $105,000. Request FOA/W approval of Mission advancing from Project 73 FY-1954 funds to Karadj Dam Authority sum of $105,000 in exchange for equivalent rials under terms and conditions stated in USFOTO 1224 and TOUSFO 930 and as confirmed by USFOTO 917.

Rial costs additional highway construction estimated as Rls 48,000,000, all of which will be provided by GOI through conversions and budgetary contribution.

Engineering of road extension substantially completed by MKI pursuant agreement with KDA, and MKI ready to initiate road extension construction.

Please expedite reply.

WARNE

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RHWorkinger:alp
January 13, 1955

504 / Karaj Dam

Form FS-413
(Feb. 1949)

TELEGRAM SENT

To :

Date : 1/13/55

No. :

Code : SECRETS

Charged to : TOUSFO 1078

GPO 16-60510-2

OFFICIAL USE ONLY - PRIORITY

TOUSFO 1013

If EX-IM Bank planning comp to Iran, believe it desirable Walter Pierce return Tehran immediately unless other developments require Pierce remain Stateside. Please advise regarding request MAPMAL and whether timely Pierce return Iran.

WARNER

RHOrdinger:alp
January 12, 1955

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S04.1/14 Karaj

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Form FS-412
(Nov. 1953)

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CENTRAL FILE

16-37113-5 GPO O-998866

From : Department

Date : January 4, 1955 5 p.m.

No. : USFOTO 917

Classification : Confidential

Received January 5, 1955

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TOUSFO 930 and USFOTO 789.

USOM correct and authorized convert dollars 130,000 into rials for use project 73.

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JAN 3 1955

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TOUSFO 1013

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With authorization legislation virtually completed, and, according to our advice, likely to be enacted in days, question arises (1) whether Taleghani should go to Washington on Karaj project loan; (2) whether Karaj Project should be considered separately or with remainder of projects; (3) whether Government of Iran should invite EXIM team to come to Iran; and (4) if so could this be done immediately. If team is to come at once, Taleghani prefers remain here for conferences on Karaj. Believe preferable have team come at once to consider at outset all proposals, including Karaj. Your advice would be appreciated.

WARNE

WEWarne:els
January 3, 1955

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Thru Rountree

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S 04.1 Karaj

Form OMI-1
Rev. Oct. 53

UNITED STATES OF AMERICA
OPERATIONS
MISSION TO IRAN

Office Memorandum.

TO : Director of USOM/Iran

DATE : Jan. 3, 1955

FROM : Provincial Director, Tehran

SUBJECT : Karadj Dam Project--Loan Negotiation Requirements

Engineer Taleghani advised me yesterday that the loan enabling legislation has now passed all necessary Majlis committees and that he expects favorable action by the Majlis within the next ten days.

Engineer Taleghani is wondering whether it would be preferable for GOI to invite representatives of the Export-Import Bank to come here in the near future, as compared with him travelling to Washington. He asked me to check this with you. If it is preferable to send an invitation to the Bank inviting its representatives to come here, I assume the request should probably be forthcoming from the Prime Minister. Please advise.

R. H. Workinger

R. H. Workinger,
Provincial Director,
Tehran.

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Department

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January 4, 1955 5 p.m.

USFOTO 917

Confidential

January 5, 1955

TOUSFO 930 and USFOTO 789.

USOM correct and authorized convert dollars 130,000 into rials for use project 73.

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